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EFFECT OF MARKETING STRATEGY ON BANK PERFORMANCE: THE CASE OF ABYSSINIA BANK, ETHIOPIA

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Abstract

This study is conducted to assess the effect of marketing strategy on bank performance in the case of Abyssinia bank, Hawassa, Ethiopia. The study employed an explanatory research design with a quantitative research approach. The required data were collected from 76 bankers. The data collected through questionnaires were analyzed using the help of SPSS software version 21. A Multiple linear regression analysis was used to examine the given data. The study's findings showed that the performance of the Abyssinia bank branch was influenced by product, price, promotion, and place. Delivering quality services, using technology properly, applying product differentiation methods properly, diversifying products, and delivering products that meet customers' needs significantly affect bank performance. Likewise, it has a reasonable service charge, a better interest rate on saving deposit, provides interest-earning in a relatively short period, gives low-interest rate on loan, and opens a book free of charge have a significant effect on bank performance. Similarly, promotingbank services using appropriate promotional tools, properly publishing products/services for customers, and having an available budget to use appropriate promotional tools significantly affect bank performance. Equally, found near to home/workplace, located at a convenient place, convenient opening and closing hours of the bank, and having many branches in different places significantly affect bank performance.

Keywords: Price, Promotion, Product, Place, Marketing Strategy

1. INTRODUCTION

The global market has made companies see the internationalization of their activities to remain competitive. Marketing strategy has become an important tool globally for any organization to remain in a competitive market environment. A marketing strategy is a set of resource allocation decisions made throughout a business. This includes both desired goals and ideas about acceptable and, more importantly, inappropriate methods of accomplishing them. With the expanding importance of the financial industry, pressures for more effective financial services marketing management are increasing. Frontline sales performance is dependent on effective marketing methods (Aremu& Lawal, 2012).

On the other hand, due to the competitive environment in today's business, the most pressing issue for sellers is not only providing exceptional, high-quality products or services, but also retaining loyal customers who will

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provide long-term profit to organizations. Furthermore, caused by fierce competition in today's business requires many banks to build long-term profitable effect with customers and achieve customer loyalty. Therefore, marketing strategy has become important since the last decade of the 20thcentury, especially in the service industry. To compete in such a crowded and interactive environment, marketers must look beyond the old 4Ps of marketing strategy, which are no longer sufficient to gain a competitive advantage(Tseng, 2007).

In the Ethiopian context, researchers such as Abesolom (2013) conducted studies on assessing the practice of marketing strategies in two different organizations and identified the existence of insufficient practical implementation of the marketing strategies. Many empirical studies have provided evidence that effect marketing strategy tactics positively impact behavioral loyalty, which affects customer retention. As a result, marketing strategy has become an alternative means for organizations to build strong, ongoing customer associations. However, the effect of marketing strategy on the banking business is little studied and needs attention. Since the number of Abyssinia bank branches is increasing from time to time,the researcher is motivated to examine the effect of marketing strategy on bank performance:A case of Abyssinia bank, Hawassa, Ethiopia.

2. LITERATURE REVIEW

2.1. Marketing Strategy

Marketing strategy is regarded as an important principle for organizing and allocating organizational resources to financial profit to consumers, which will aid the organization in recognizing organizational resource constraints, analysis, recognition, and market segmentation, as well as understanding the characteristics of the components market and can be useful in developing and achieving a single clear organizational perspective (Shafi'i, 20). According to Aker (2009), Marketing Strategy encompasses many activities such as positioning, pricing, distribution, and worldwide strategies, and that their success rate requires a sustainable competitive advantage, as well as a proper grasp of the target market and its requirements (Hoeven Kim et al., 2011).Marketing strategy is regarded as an important organizing concept. The major focus of marketing strategy is the optimal allocation and coordination of activities and marketing resources to fulfill operational objectives in terms of market and product. In this way, the main problem in the realm of marketing strategy is determining the specific markets for a family of products or a specific product and designing and implementing the appropriate programs in the field of mixed marketing based on the needs and demands of the potential customers of the target market and gaining a competitive advantage for organizations (Dehghan et al., 2015).

2.2. Product Strategy

According to Kotler and Armstrong (2006), a product is anything offered to a market for attention, acquisition, usage, or consumption that may satisfy a want or need. They go on to describe a consumer product as something purchased by the final customer for personal usage. Consumers buy things on a regular basis, plan ahead of time, and compare brands based on price, quality, and style. According to Borden (1984), a product is defined by its quality, design, features, brand name, and size. According to Mohammad et al. (2012), a product's physical appearance, packaging, and labeling information influence whether buyers see a product in-store, investigate it, and purchase it. Previous study has revealed that product effects have a substantial impact on business performance (Owomoyela et al., 2013).

2.3. Pricing Strategy

Kotler (2007) defines pricing as the organization's cost of manufacturing, delivering, and promoting the product. Zeithaml (1988) believes that monetary cost is one factor that influences consumers' perception of a product's value. Price can be stated as the actual/rated value of a valuable product up for exchange paid for the product (Kotleret al., 2005). The research of Colpan (2006) and Doole et al. (2006) show a significant association between price and

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business performance. The price you establish for your product or service has a significant impact on its marketability. Marketing strategy's influence on business performance pricing for products or services that are more generally available in the market. It is more elastic, which means that unit sales will respond more responsively to price adjustments.

2.4. Promotion Strategy

According to Duncan (2005), promotion is essential to the market exchange process because it communicates with current and potential stakeholders as well as the general public. Every company or store must assume the role of communicator and booster. According to Hakansson (2005), promotion appears to be a matter of developing an appropriate combination of marketing communication tools to convey a product's message and brand. Sales, advertising, personal selling, public relations, and direct marketing are all examples of promotion, according to Borden (1984). According to Kotler (2007), promotions have become an important component of the product marketing mix, which includes the exact blend of advertising, personal selling, sales promotion, public relations, and direct marketing techniques that the company/organization use to achieve its marketing objectives.

2.5. Place strategy

Jones (2007) defines place as tohow the customer can obtain a product or receive a service. Place or distribution is also defined by Kotler and Armstrong (2006) as a group of interdependent entities involved in the process of making a product available for use or consumption by customers. Place strategy necessitates successful product distribution through marketing channels such as wholesalers or retailers.Amine and Cavusgil (2001) agree that place significantly affects business performance.

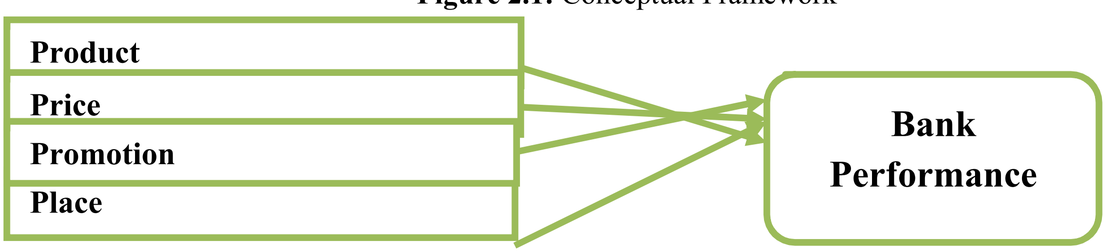
2.6. Bank performance

Better bank performance increases the reputation and image from the public or market point of view. The economic literature places a high value on bank performance, as measured by competitiveness, concentration, efficiency, productivity, and marketing plan performance. The key drivers of banks' performance are earnings, efficiency, risk-taking, and leverage. A comprehensive and commonly accepted determinant of performance for financial institutions like banks does not exist in the literature. Instead, different researchers have attempted to estimate empirical factors affecting banks' performance using financial data(Bikker& Bos, 2006).

2.7. Conceptual Framework

As reviewed in the review of related literature section, the linkage between selected independent variables and the dependent variable is presented in Figure 2.1.

Figure 2.1: Conceptual Framework



Source: Adapted from Kotler and Armstrong (2006)

Hypothesis

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Ho$_1$: Product has no significant effect onbank performance.
Ho$_2$: Price has no significant effect onbank performance.
Ho$_3$: Promotion has no significant effect onbank performance.
Ho$_3$: Place has no significant effect onbank performance.

3. RESEARCH METHODOLOGY

The study employed an explanatory research design. This is because explanatory research design is the best if the research question identifies factors associated or understands the best predictors of the dependent variable (Oleary, 2004).

The researcher used a quantitative research approach. These approaches refer to the type of data being collected, quantitatively involving numeric scores, metrics, and so on, and analyzingusing quantitative techniques. The quantitative approach helps to quantify or objectively measure certain variables in numeric terms.

The study population includes customers who use the services of Abyssinia Bank, bank employees, and bank managers at the selected branches of Hawassa city. Regarding the sampling technique, 78bank employees were taken as a census. In order to obtain primary data, the researcher collected data through questionnaires from selected target groups.

The questionnaire was consisted of both open-ended and closed-ended questions to reflect their opinions and experiences related to marketing strategy practices being carried out by the Abyssinia bank, products, pricing, promotion, and place-related questions. Before the main data collection, a pre-test was conducted to check the validity and reliability of the questionnaire.

Data collected through a questionnaire was cleaned, coded, entered, edited, and analyzed with the help ofStatistical Package for Social Science (SPSS) software version 21. Multiple linear regression analyses were employed to examine the effect of marketing strategy on bank performance.

4. RESULTS AND INTERPRETATION

Among 78 questionnaires collected from selected respondents, 76 questionnaires were correctly filled by the respondent. Therefore, the response rate for this study is97.4%. The effect of marketing strategy on bank performance was examined using multiple linear regression analysis.

Table 4.1: *Results of Regression Analysis Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.833[a]	.694	.677	.16331

Source: Model output, 2021

According to the model summary of multiple linear regression analysis, the R-value of the model as per Table 4.1 was 0.833, which shows the highest degree of relationship between independent and dependent variables. The adjusted R^2 value of the regression model was 0.677, indicating that 67.7% of the variance in bank performance was accounted for product, price, promotion, and place. The remaining 32.3% of the variance in bank performance was accounted for other variables not included in this study

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Table 4.2: *Results of ANOVA Output*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.298	4	1.074	40.284	.000[b]
	Residual	1.894	71	.027		
	Total	6.191	75			

a. Dependent Variable: Bank Performance
b. Predictors: (Constant), Placing, Product, Promotion, Price
Source: Model output, 2021

The ANOVA table (Table 4.1) indicated that the multiple regression model itself is statistically significant or not significant. Because R^2 is not a statistical significance test (it only measures explained variation in Y from the predictor Xs), the F-test is used to test whether or not R^2 could have occurred by chance alone. In short, the F-test for overall significance determines if your linear regression model fits the data better than a model with no independent variables. Thus, the results of the output found in the ANOVA table show that the model is statistically significant when product, price, promotion, and placingwere included ($F=40.284$, $p<0.001$). Therefore, the overall equation was found to be statistically significant.

Table 4.3: *Results of Multiple Linear Regression Analysis*

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	**SE**	**Beta**		
1	Constant	.913	.224		4.077	0.000
	Product	.206	.031	.431	6.538	0.000
	Price	.251	.036	.457	6.892	0.000
	Promotion	.154	.034	.304	4.589	0.000
	Placing	.171	.025	.446	6.759	0.000

Note: B= Regression coefficient (Estimate), Std.Error = Standard Error, Dependent variable = Bank Performance
Source: Model output, 2021

Product quality has a statistically significant effect on bank performance. Therefore, the researcher rejects the null hypothesis, which states price has no significant effect on the performance of Abyssinia bank,and accepts the alternative hypothesis. The beta coefficient and p-value ($\beta = 0.431, p < 0.001$)indicate that the bank increases its performance by 0.431 due to a one-unit increase in the product quality. The beta coefficient values indicated that for every unit increase in product quality, a 0.431 unit increase in bank performance is predicted.

Price was a determinant factor for bank performance in the study area. Therefore, this leads to reject the null hypothesis and accept the alternative hypothesis, which states product has a statistically significant effect on the performance of Abyssinia bank. The beta coefficient for the price was positive and significant at the 0.1% level of significance ($\beta = 0.457, p < 0.001$). The positive relationship implies that the bank can have good performance if the product price is fair. Furthermore, the beta coefficient values indicated that for every unit increase in pricing, a 0.457 unit increase in bank performance is predicted. Therefore, the result implied that product prices have a positive effect on bank performance.

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The promotion has a positive and significant effect on bank performance. Therefore, the null hypothesis is rejected, and instead,the alternative hypothesis is accepted. This implies that promotion has a significant effect on the performance of Abyssinia bank. The result of the beta coefficient indicates that a one-unit increase in the availability of good promotion leads to a 0.304 unit increase in the bank performance ($\beta = 0.304, p < 0.001$). Place determines where and how potential customers can access the product. Table 4.3 shows that placing positively and significantly affects bank performance. According to the results of the regression coefficient ($\beta = 0.446, p < 0.001$), a one-unit rise in the placement leads to a 0.446 unit increase in the bank's performance. Therefore, the null hypothesis, which states that placing has no significant effect on the performance of Abyssinia bank,is rejected, and the alternative hypothesis is accepted.

5. CONCLUSION

The types of products provided by the bank determined its performance. Bank product includes physical appearance; ATMs, mobile, and internet banking availability highly contribute to bank performance positively. Therefore, Abyssinia bank should deliver quality services, diversify their product, and deliver products that meet customers' needs. Likewise, price strategy has a significant effect on bank performance. In order to retain the existed customers and to attract new customers, the selected banks should open a book free of charge and give low-interest rates on loans. The selected banks also should have a better interest rate on saving deposits. Moreover, promotion is the key to the market exchange process that communicates with present and potential stakeholders and the general public. Therefore, the selected banks should use appropriate promotional tools to make the right people aware of the product's benefits. Additionally, the selected banks should have an available budget to use appropriate promotional tools. Placing strategy was an important element for bank performance in the study area. Therefore, the selected bank was encouraged to have many branches in different places and have convenient opening and closing hours.

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